

TO: Members of the Iowa Senate and
Members of the Iowa House of Representatives

FROM: Jeff Robinson and Kent Ohms

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Monthly General Fund Receipts through January 31, 2016

The attached spreadsheet presents FY 2016 General Fund total net receipts with comparable figures for actual FY 2015. The figures can be compared to the FY 2016 estimate of \$6.949 billion set by the Revenue Estimating Conference (REC) on December 10, 2015. The FY 2016 estimate is an increase of \$257.1 million (3.8%) compared to actual FY 2015 total net receipts (excludes transfers). The next REC meeting has not been scheduled.

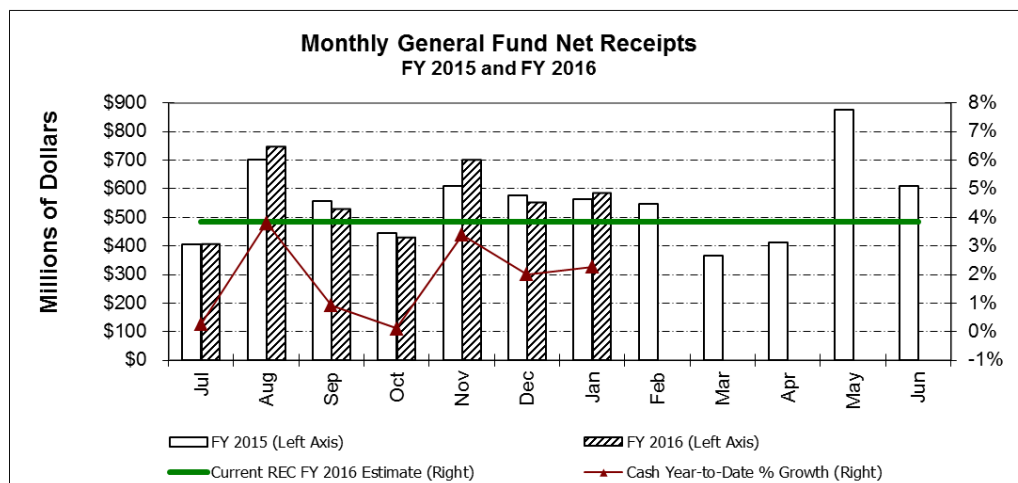
FY 2016 Monthly Estimate Comparison - Dollars in Millions						
Most Recent REC Adjusted Projected Growth for the Year, Excluding Transfers = 3.8%						
Year-to-Date Ending:	Year-to-Date FY 2015	Year-to-Date FY 2016	Dollar Change	% Change	Year-to-Date Change at REC Estimate for the Entire Year	Year-to-Date Above (Below) Estimated Change
July	\$ 406.6	\$ 407.6	\$ 1.0	0.2%	\$ 15.6	\$ -14.6
Aug	1,109.5	1,151.8	42.3	3.8%	42.6	-0.3
Sept	1,665.4	1,680.7	15.3	0.9%	64.0	-48.7
Oct	2,108.9	2,111.5	2.6	0.1%	81.0	-78.4
Nov	2,719.9	2,812.2	92.3	3.4%	104.5	-12.2
Dec	3,298.0	3,364.6	66.6	2.0%	126.7	-60.1
Jan	3,860.4	3,948.3	87.9	2.3%	148.3	-60.4
Feb	4,406.6					
Mar	4,772.4					
Apr	5,185.8					
May	6,060.4					
Jun	6,670.2					
Year end	6,692.1					

Overview of Current Situation

January 2016 net General Fund revenue was \$21.3 million (3.8%) above the January 2015 revenue level. Cash fiscal year-to-date net receipts are \$87.9 million (2.3%) higher than FY 2015. Sales/use tax and personal income tax issues related to January deposit timing and calendar days make monthly comparisons difficult. These particular comparison issues will remain in the

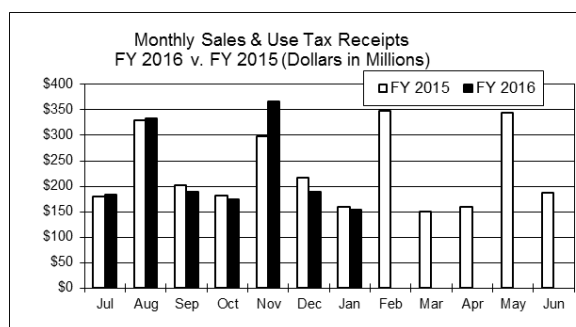
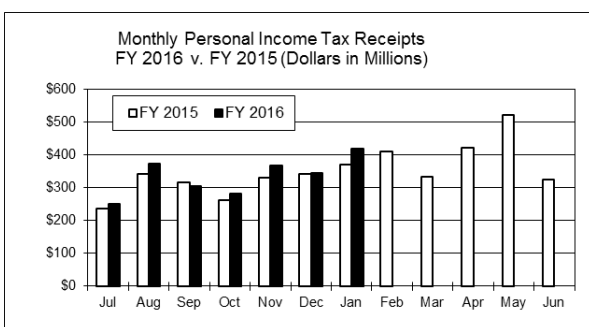
revenue data through mid-February. Major sources of revenue and their contribution to the FY 2016 change include:

- Personal income tax (positive \$147.4 million, 6.7%)
- Sales/use tax (positive \$24.2 million, 1.5%)
- Corporate tax (negative \$46.1 million, -15.5%)
- Other taxes (positive \$4.6 million, 3.3%)
- Other receipts (positive \$5.7 million, 3.6%)
- Tax refunds not including school infrastructure refunds (negative \$34.8 million)
- School infrastructure sales/use tax refunds (negative \$13.4 million)



Personal Income Tax revenue received in January 2016 totaled \$418.1 million, an increase of \$46.4 million (12.5%) compared to January 2015. The large January increase is the result of two deposit timing issues that will reverse in February. Without those issues, income tax growth for the month would have been mildly positive.

The FY 2016 REC income tax estimate of \$4.502 billion represents a projected increase of 7.0% compared to actual FY 2015. Through January 2016, personal income tax receipts have increased \$147.4 million (6.7%). By subcategory, withholding payments increased \$108.7 million (5.9%), estimate payments increased \$14.7 million (4.8%), and payments with returns increased \$24.0 million (36.1%). The following chart compares FY 2016 monthly income tax receipts from the three personal income tax subcategories with FY 2015.



Sales/Use Tax receipts received in January 2016 totaled \$153.4 million, a decrease of \$5.8 million (-3.6%) compared to January 2015. The January decrease is the result of one-time adjusting transactions and calendar differences between January 2015 and January 2016. Without those issues, sales/use tax growth for the month would have been mildly positive.

The REC estimate for FY 2016 sales/use tax receipts is \$2.839 billion, an increase of 3.1% compared to actual FY 2015. Through January 2016, sales/use tax receipts increased \$24.2 million (1.5%). The preceding chart compares FY 2016 monthly sales/use tax receipts with FY 2015.

Corporate Tax receipts received in January 2016 totaled \$25.9 million, a decrease of \$6.7 million (-20.6%) compared to January 2015.

The REC estimate for FY 2016 corporate tax revenue is \$500.0 million, a decrease of 13.2% compared to actual FY 2015. Through January 2016, corporate income tax receipts decreased \$46.1 million (-15.5%).

Other tax receipts received in January 2016 totaled \$11.4 million, an increase of \$0.3 million (2.7%) compared to January 2015.

The REC estimate for FY 2016 other tax revenue is \$261.1 million, an increase of 0.7% compared to actual FY 2015. Through January 2016, other tax receipts increased \$4.6 million (3.3%).

Other receipts (nontax receipts) received in January 2016 totaled \$35.2 million, an increase of \$0.9 million (2.6%) compared to January 2015.

The REC estimate for FY 2016 other receipts revenue is \$291.7 million, a decrease of 1.1% compared to actual FY 2015. Through January 2016, other receipts increased \$5.7 million (3.6%).

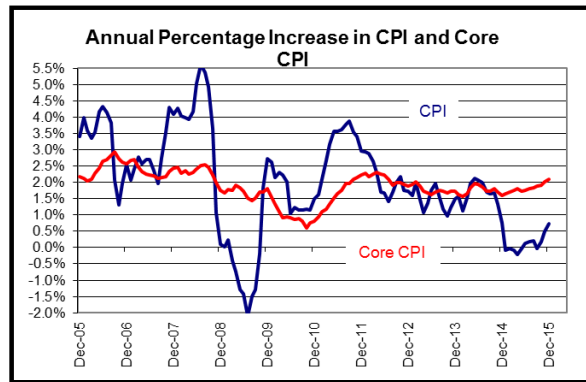
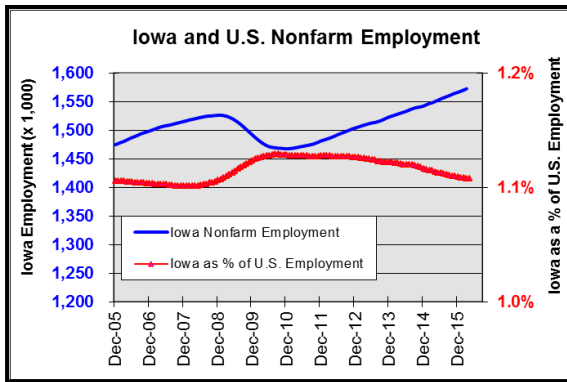
Tax Refunds issued in January 2016 totaled \$17.6 million, an increase of \$8.1 million compared to January 2015. In addition, school infrastructure refunds totaled \$42.5 million, an increase of \$5.8 million compared to January 2015.

Status of the Economy

Iowa nonfarm employment was reported at 1,590,100 for the month of December 2015 (not seasonally adjusted), 25,300 (1.6%) higher than December 2014.

Iowa's 12-month average employment is presented as the blue line on the following graph. Iowa's average nonfarm employment peaked in October 2008 at 1,526,400, and was 47,700 above the peak prior to the previous recession (January 2001). The current 12-month average reading is now 1,572,500, resulting in an annual average Iowa nonfarm employment level 46,100 above the October 2008 peak.

The employment chart also presents Iowa nonfarm employment as a percent of U.S. nonfarm employment. Iowa's share of U.S. nonfarm employment decreased noticeably from 1999 through 2002, decreased at a much slower pace from 2002 through 2007, and increased from January 2008 through June 2010. Iowa's percent of U.S. employment has declined as the percentage growth in U.S. employment has exceeded the percentage growth in Iowa employment since June 2010 and currently is at its lowest level since September 2008.



The Consumer Price Index (CPI-U) through December 2015 was 236.5 (1983/84=100). Consumer prices decreased 0.34% in December (not seasonally adjusted) and the annual rate of inflation increased to 0.73% compared to 0.50% in November.

Core CPI, an inflation measure excluding food and energy expenditures, decreased 0.12% in December and totaled 2.10% year-over-year. The annual core inflation rate has exceeded 2.0% for two consecutive months. The core inflation rate has not been consistently above 2.0% since July 2012. For the two components excluded from the core rate, energy prices are down 12.60% year-over-year, while food prices are up 0.80%.

Information related to State General Fund receipts is available on the Fiscal Services Division website at: <https://www.legis.iowa.gov/receipts/daily.html>.

GENERAL FUND RECEIPTS - FY 2016 vs. FY 2015 July 1 through January 31 (in millions of dollars) Dollars may not add due to rounding. Percentages calculated on rounded numbers.					ESTIMATED GENERAL FUND RECEIPTS (in millions of dollars) FY 15 Actual Compared to FY 16 REC Estimate		
	FY 2015	FY 2016	Year-to-Date % Change	December % Change	Actual FY 2015	Estimate FY 2016	Projected % Change
Personal Income Tax	\$ 2,197.7	\$ 2,345.1	6.7%	12.5%	\$ 4,207.3	\$ 4,502.1	7.0%
Sales/Use Tax	1,566.0	1,590.2	1.5%	-3.6%	2,753.0	2,838.8	3.1%
Corporate Income Tax	297.1	251.0	-15.5%	-20.6%	576.3	500.0	-13.2%
Inheritance Tax	54.4	56.6	4.0%	-38.2%	87.0	94.0	8.0%
Insurance Premium Tax	52.5	52.8	0.6%	0.0%	109.6	103.0	-6.0%
Cigarette/Tobacco Tax	0.0	0.0	0.0%	0.0%	0.0	0.0	N.A.
Beer/Liquor Tax	9.0	8.6	-4.4%	0.0%	14.5	14.5	0.0%
Franchise Tax	24.4	27.0	10.7%	107.1%	46.9	48.2	2.8%
Miscellaneous Tax	0.6	0.5	-16.7%	-100.0%	1.4	1.4	0.0%
Total Gross Taxes	\$ 4,201.5	\$ 4,331.8	3.1%	6.0%	\$ 7,796.0	\$ 8,102.0	3.9%
Institutional Payments	8.4	7.4	-11.9%	-9.1%	15.5	6.5	-58.1%
Liquor Profits	60.3	67.8	12.4%	24.7%	108.4	102.5	-5.4%
Interest	2.2	2.4	9.1%	-33.3%	3.7	4.0	8.1%
Fees	15.3	14.8	-3.3%	-13.8%	27.7	27.6	-0.4%
Judicial Revenue	46.8	45.1	-3.6%	-6.2%	99.9	111.9	12.0%
Miscellaneous Receipts	23.9	25.1	5.0%	1.7%	39.7	39.2	-1.3%
Racing and Gaming Receipts	0.0	0.0	0.0%	0.0%	0.0	0.0	N.A.
TOTAL GROSS RECEIPTS	\$ 4,358.3	\$ 4,494.4	3.1%	5.8%	\$ 8,090.9	\$ 8,393.7	3.7%
Accrued Revenue-Net					19.6	17.7	
Tax Refunds *	-223.7	-258.5	15.6%	85.3%	-967.9	-1,002.0	3.5%
School Infrast. Refunds *	-274.2	-287.6	4.9%	15.8%	-450.5	-460.2	2.2%
TOTAL NET RECEIPTS	\$ 3,860.4	\$ 3,948.3	2.3%	3.8%	\$ 6,692.1	\$ 6,949.2	3.8%
* For FY 2015 and FY 2016 Year-to-Date columns, refunds are presented on a cash basis. For FY 2015 Actual and FY 2016 Estimate, refunds are presented on a fiscal year basis. The FY 2015 Actual column is final.							